

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Faysal Asset Management Limited

Date of Hearing

April 27, 2020

Order-Redacted Version

Order dated May 29, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Faysal Asset Management Limited (FAML). Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated March 16, 2020
2. Name of Company	Faysal Asset Management Limited (FAML)
3. Name of Individual*	Not relevant. The proceedings were initiated against the Company i.e. FAML
4. Nature of Offence	Proceedings under Section 40A of SECP Act, 1997 for violations of Regulation # 6(4) read with Annexure I and 6(5a), 7(1)(a), 7(1)(b), 7(2)(a), 9(3) read with 9(4)(b) of AML and CFT Regulations, 2018
5. Action Taken	<p>Key findings of default of Regulations were reported in the following manner:</p> <p>I have examined the facts of the case, considered the written responses submitted along with documentary evidences placed on record and the arguments put forth by the Respondent Company. I have taken into account the fact that non-compliance with the AML regulatory framework was largely due to the laxity of the previous management and subsequent restructuring of the Company which led to a further delay by the new management to implement the subject Regulations in true spirit. In addition to this I have observed the following;</p> <p>(i) FAML has initiated the process of screening of customers with the NACTA and UNSC lists, by outsourcing it to a third party which has made considerable headway in this regard. Although screening of the legacy customers with the UNSC list has completed, screening with NACTA list needs to be expedited.</p> <p>(ii) From the findings of the inspection report, it is obvious that due diligence was not being exercised while opening accounts, as a result of which many mandatory documents were not present in the investors records. However, I have noted that in an effort to complete</p>



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the record, the process of obtaining mandatory documents was initiated after the inspection team raised the observations.

- (iii) The AML and CFT Regulations, 2018 were effective immediately after their issuance and warranted that FAML initiate the process of verification of customers /beneficial owners, at its earliest. Failure to do so reveals that FAML was not implementing the AML and CFT Regulations in letter and spirit, thus exhibiting weakness on part of the previous management of FAML. Nevertheless, I understand that at a time when the new management was facing comparatively larger pressing problems and going through significant transformation, compliance with the AML Regulatory framework was bound to be the least consideration.

I have also taken into consideration the work in progress for overhaul of the AML/CFT compliance framework, mentioned in the reply of FAML. It is my opinion, FAML needs to take cognizance of how to improve and strengthen its operational procedures and systems. FAML is also required to ensure that the screening process is carried out on an ongoing basis. Above all FAML must ensure strict compliance with the applicable regulatory framework in future.

I would also like to commend the forthright approach and willingness demonstrated by the CEO to improve the process and systems to meet requisite regulations in their true spirit. It appears that he has grasped the gaps well and has initiated some rectification work in earnest. He must demonstrate the same vigor in planning and implementing an overhaul of the AML/CFT compliance framework.

Based on my observations at para 6,7 and 8 above, I am willing to take a lenient view and hereby direct FAML to provide a report by July 7, 2020 to SCD-S&ED, on the completion of ;

- the screening process of the existing as well as legacy accounts and their beneficial owners/associates/facilitators
- KYC procedures of the existing and legacy portfolio
- Adequate risk profiling of all the clients

In view of the foregoing and admission made by the Representatives, contraventions of the provisions of AML Regulations have been established. It is pertinent to mention that similar non-compliance towards requirement of AML, CFT Regulations were also observed, and an Order was issued to FAML in May 2019 with advice to ensure strict compliance with the applicable regulatory framework in future. However, it seems that little efforts have been made by FAML to to take cognizance of the mandatory compliance. Therefore,



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	<p>in terms of powers conferred under section 40A of the Act, a penalty of Rs 200,000/- only (Rupees Two Hundred Thousand Only) is hereby imposed on the Company. The penalty has been imposed on the Respondent for failing to take due care to organize and control the affairs of the Company in such a manner that the implementation of AML/CFT framework to check money laundering and terror financing activities is effective and violation of the said framework is avoided. Money laundering and terror financing related concerns, internationally, have put the country and its economy at a great risk. I, hereby, further direct the Respondent to review their AML/CFT policy and procedure to ensure that these are in line with mandatory legal framework.</p> <p>Penalty order dated May 29, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 200,000/- (Rupees two hundred thousand only) was imposed on the Company.
7. Current Status of Order	No appeal was filed.

Redacted version issued for placement on the website of the Commission.